

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BFN 3114 – TAX PLANNING (Section BO1)

10 MARCH 2016
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **NINE (9)** printed pages including cover page with 3 questions only.
2. Answer **ALL** questions.
3. Answer all questions in the answer booklet provided.
4. Marks allocations are shown at the end of each question.

QUESTION 1

Idawati works as a consultant with a local unit trust company. Her husband, Zain is an engineer with a local oil and gas company. The couple has a son and a daughter aged 6 and 12 years old respectively. Other information relating to Idawati and Zain's income and expenditure for the year ended 31 December 2015 is as follows:

	Idawati (RM)	Zain (RM)
Income		
Salary	85,000	135,000
Bonus	5,000	12,000
Entertainment allowance	5,000	-
Travelling allowance for official duties	10,450	6,000
Medical check-up provided by employer	1,500	450
Local leave passage to Miri and Tioman, Malaysia	3,200	-
Dental care benefit provided by employer	400	500
Interest on savings in a bank in Indonesia	8,000	2,780
Expenditure		
EPF employee contributions	10,010	16,170
Dental expenses for daughter	75	-
Entertainment expense relating to official duties	1,800	-
Books and magazines	500	2,000
Parents medical expense	5,400	3,000
Complete medical examination expenses	450	500
Medical and education insurance premiums	3,000	2,700
Sports equipment (approved)	300	100
Cash donation to an approved Malaysian charitable institution	900	400
Petrol and toll charges for travelling between house and office	1,600	
School fees for daughter	-	1,100
Sports equipment	300	100

Required:

In relation to the Income Tax Act 1967 (as amended), assuming that Idawati and Zain did not elect for joint assessment, and Zain claimed child relief, compute the tax payable for the year of assessment 2015 for:

- a) Idawati; and, (20 marks)
- b) Zain (20 marks)

[Total: 40 marks]

Note: You should indicate by the use of the word 'nil' for any item referred to in the question for which no adjusting entry needs to be made in the tax computation. Round-up all figures.

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QUESTION 2

a) Dr. Manimala, an IT specialist from India was engaged by the Multimedia University in Malaysia to teach in Cyberjaya, Malacca and Nusajaya Campus. Her pattern of stay was as follows:

Period of stay	Number of days in Malaysia
1.7.2010 - 31.8.2010	62
16.9.2010 - 31.12.2010	107
1.9.2011 - 31.12.2011	122
1.1.2012 - 31.3.2012	91
1.4.2012 – 4.4.2012	4
5.4.2012 - 31.7.2012	118
5.8.2012 - 31.8.2012	27
1.10.2012 - 24.12.2012	85
1.1.2013 - 28.2.2013	59
1.7.2013 - 31.7.2013	31
15.8.2013 - 15.9.2013	32
1.2.2014 - 28.2.2014	28
1.5.2014 - 25.6.2014	56
1.2.2015 - 31.3.2015	59
1.5.2015 - 31.8.2015	123
1.10.2015 - 20.10.2015	20
2.11.2015 - 24.12.2015	53
6.1.2016 – 31.1.2016	26

Dr. Manimala was on social visit from 1 April 2012 to 4 April 2012. Her contract with the university ended on 25 January 2016, and she left the country a week after the date.

Required:

Determine the resident status of Dr. Manimala for each of the relevant years of assessment, indicating the relevant applicable section of the Income Tax Act 1967 (as amended).

(14 marks)

b) Caliphs Carcare Sdn. Bhd. ('the company') is a local incorporated company dealing with car care products for both local and overseas markets. Its products include air freshener, glass cleaner, detailing kit, upholstery cleaner and wipes. Currently, the company obtained the stocks from various suppliers.

However, in 2015, the company found out that several items from one of suppliers did not meet its quality requirement. It made a claim against the supplier. After some

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discussions and lengthy negotiations, the supplier admitted negligence and paid the company a sum of RM59,000 as compensation.

In the same year, the company had employed two disabled staffs for its collection and billing units. They are certified as physically disabled by the Malaysian Social Welfare Department. The total salary paid to the staffs was RM24,000 per annum.

Required:

In the context of the Income Tax Act 1967 (as amended), discuss the tax implication to Caliphs Carcare Sdn. Bhd. of (i) the compensation of RM59,000 received from its supplier and (ii) the salary RM24,000 paid to its two disabled staffs.

(6 marks)

[Total: 20 marks]

QUESTION 3

Mr. Fairuz is in the business of supplying frozen foods to both local and overseas market. The business has been registered under the name of Ferozen Enterprise. It has a paid up capital of RM300,000 as at 1 January 2015. For the financial year ended 31 December 2015, results of the business are as follows:

Ferozen Enterprise

Profit and Loss account for the year ended 31 December 2015

	Note	RM	RM
Sales		695,842	
Less: Cost of sales		310,158	
Gross profit			385,684
Add: Other income			
Dividend	1	9,000	
Net rent	2	45,000	
Gain on disposal of property	3	80,000	134,000
			519,684
Less: Expenses			
Salaries and wages	4	190,000	
Financial charges	5	3,000	
Entertainment	6	35,000	
Depreciation		70,000	
Repair and maintenance	7	30,000	
Bad debts	8	31,000	
Motor vehicle expenses	9	25,000	
Advertisement		13,000	
Professional fees		19,000	
Insurance	10	30,000	
Donation	11	8,000	454,000
Profit before taxation			65,684

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Notes to the accounts:

1. Dividend

The single tier dividend of RM9,000 was received on 15 August 2015 from a local company listed in Bursa Malaysia.

2. Net rent

The net rent of RM45,000 is from an office building rented out to third parties.

3. Gain on disposal of property

Ferozen Enterprise acquired a property in Jakarta, Indonesia for an amount equivalent to RM100,000 and disposed it for an amount equivalent to RM180,000. The net proceeds were received in Malaysia on 20 July 2015.

4. Salaries and wages

Salaries and wages expense included the owner's salary of RM30,000, the EPF contribution of RM3,600 on the salary and the owner's family overseas trip of RM5,000.

5. Financial charges

The business took a bank loan for its working capital. The initial excess money of RM30,000 was placed in an investment. The financial charge applicable to this portion of the loan was RM1,000. The balance of the interest on the loan for the working capital was RM2,000.

6. Entertainment

Entertainment expense included an amount of RM12,000 spent on annual dinner for staffs and their families. Details of the amount spent are as follows:

Food and drinks	RM3,500
Accommodation	RM3,000
Lucky draws	RM5,500

The business had also incurred entertainment expenditure of RM8,000 on local suppliers and a sum of RM15,000 on customers that related wholly to sales.

7. Repair and maintenance

During the year, the business bought a second hand dried food machine for RM1,000 and immediately upon acquisition it incurred additional expenditure of RM6,000 to repair, modify, and refit the machine for economical use in its factory. The balance of RM24,000 relates to the general maintenance of the company's assets.

8. Bad and doubtful debts

Bad debts consist of trading bad debts written off of RM25,000 and an employee's loan written off of RM6,000.

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9. Motor vehicle expenses

Maintenance expense for the business vehicles was RM13,000. The balance of the expense refers to RM2,000 for traffic compounds and fines, RM3,000 for the road tax and RM7,000 for insurance of the business vehicles.

10. Insurance

RM23,000 was paid to a local insurance company for insurance premiums of goods exported to Indonesia market. The balance of RM7,000 insurance premiums referred to fire and flood policies on the business's stock, building, plant, and machinery.

11. Donation

During the year, the business donated hampers worth RM3,000 to an orphanage house which is an approved charitable institution. Besides that, it also donated in total cash of RM5,000 to 40 orphans from the orphanage house. The cash was used to cover the cost of school fees, books, stationaries, school attires and hostel accommodation.

12. Other information:

For the year of assessment 2015, the business is claiming capital allowance of RM50,000 on its assets used in the business, including the cost of repair of the second hand dried food machine.

Required

Based on the information given, compute the chargeable income of Ferozen Enterprise for the year of assessment 2015, under the Income Tax Act 1967 (as amended).

Note: (i) Your computation should start with the profit before taxation figure and follow the description used in the profit and loss account and where applicable the description used in the notes to the accounts. In making your tax adjustments to the entries, you should indicate 'Nil' where no adjustments are made or are not required.

(ii) You do not need to explain the adjustments that you are making.

[Total: 40 Marks]

End of question

Appendix 1

Tax rate for resident individual (year of assessment 2015)

Chargeable Income	Calculations (RM)	Rate %	Tax(RM)
0-2,500	On the First 2,500	0	0
2,501-5,000	Next 2,500	0	0
5,001-10,000	On the First 5,000 Next 5,000	1	0 50
10,001-20,000	On the First 10,000 Next 10,000	1	50 100
20,001-35,000	On the First 20,000 Next 15,000	5	150 750
35,001-50,000	On the First 35,000 Next 15,000	10	900 1,500
50,001-70,000	On the First 50,000 Next 20,000	16	2,400 3,200
70,001-100,000	On the First 70,000 Next 30,000	21	5,600 6,300
100,001-150,000	On the First 100,000 Next 50,000	24	11,900 12,000
150,001-250,000	On the First 150,000 Next 100,000	24	23,900 24,000
250,000 – 400,000	On the First 250,000 Next 150,000	24.5	47,900 <u>36,750</u>
Exceeding 400,000	On the First 400,000 On amount exceeding 400,000	25	84,650

Non-Resident Individual Rate (year of assessment 2015)

Non-resident person other than companies: 25%

Companies Rates (year of assessment 2015)

(a) Company with paid up capital of RM 2.5 million and below at the beginning of the basis period

On the first RM 500,000 chargeable income: 20%

On subsequent chargeable income: 25%

(b) Other companies (resident, non resident) 25%

Capital allowances

	Initial Allowance	Annual Allowance
Office equipment, furniture and fittings	20%	10%
Plant and machinery – general	20%	14%
Plant and machinery (heavy) and motor vehicle	20%	20%
Industrial building	10%	3%

Benefits in Kind (BIK)

(a) Household Furnishings, Apparatus & Appliances

	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM 840 (RM 70 per month)
(b)	Semi-furnished with furniture as in (a) above and one or more of the following: air-conditioners, curtains and carpets	RM 1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as in (a) and (b) above with one or more of the following: kitchen equipment, crockery, utensils and appliances.	RM 3,360 (RM 280 per month)
(d)	Service charges and other bills such as for water, electricity and telephone.	Service charges and bills paid by the employer.

Gardener	RM 3,600 per annum
Domestic servant	RM 4,800 per annum
Driver	RM 7,200 per annum

(b) Value of motor vehicles

Cost of vehicles (new) RM	Annual Value of BIK RM	Fuel per annum RM
Up to – 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 – and above	25,000	3,000

Personal relief and allowances applicable for the year of assessment 2015

	RM
Self	9,000
Disabled self	6,000
Medical expenses expended for parents	5,000
Medical expenses expended on self, spouse or child with serious disease, Including up to RM500 for medical examination	6,000
Basic supporting equipment for disabled self, spouse, child or parent	6,000
Fees expended for skills or qualifications	5,000
Expenses on books for personal use	1,000
Spouse relief	3,000
Disabled spouse - additional	3,500
Child each (below 18 years of age)	1,000
Disabled child each (unmarried)	6,000
Life insurance premiums & contributions to approved provident funds (max)	6,000
Private retirement scheme and annuity premium (max)	3,000
Medical or education insurance premiums for self, spouse or child	3,000
Purchase of a personal computer	3,000
Interest paid on housing loans	10,000
Purchase of sports equipment	300

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